

BEFORE THE POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Market-Dominant Price Change

Docket No. R2023-1

COMMENTS OF PITNEY BOWES INC.
(November 7, 2022)

Pursuant to Order No. 6296, Pitney Bowes Inc. (Pitney Bowes) respectfully submits these comments in response to the United States Postal Service's (Postal Service) October 7, 2022 Notice of Market-Dominant Price Change (Notice).¹ These comments address: (1) the need for further refinements to the Commission's workshare rules to promote pricing and operational efficiency, and (2) the value of retaining a meaningful price differential between Stamped and Metered Letters.

I. Changes in the Workshare Rules Have Helped, but Further Refinements are Necessary to Promote Pricing and Operational Efficiency

The Commission revised the workshare rules as part of the statutory review of the market dominant rate system based on its finding that the Postal Service had the pricing authority to set more efficient workshare discounts but had not done so. Specifically, the Commission changed the workshare rules to generally require workshare discounts to be moved incrementally closer to full efficient component rates (ECP), with passthroughs of 100 percent of the modeled costs avoided.

The changes in the workshare rules are generally helping to move discounts closer to ECP rates and helping to maintain more rates at full ECP levels. However, the current rate adjustment, the third since the changes to the workshare rule were made, confirms that the new rules are too permissive. Stronger regulation is necessary to ensure the Postal Service is maximizing incentives to promote efficiency.

¹ See Docket No. R2023-1, United States Postal Service Notice of Market-Dominant Price Change (Oct. 7, 2022) (Notice).

The First-Class Mail 5-Digit Automation Letter rate is, unfortunately, the best illustration of why additional changes are needed. The 5-Digit rate is the most important rate category for commercial mailers and is among the most profitable and efficient mail for the Postal Service. The Postal Service acknowledges that “5-Digit Automation Letters[] comprise a significant portion of overall First-Class Mail volume and revenue[.]”² Maximizing the incentives for this rate category would encourage more efficient mail preparation, reduce Postal Service costs, and improve the Postal Service’s financial stability. Maximizing incentives for 5-Digit Automation Letters to fully reflect the value of the work performed would also lower the effective price paid by commercial mailers that prepare mail to 5-Digit levels. Notwithstanding its importance to the Postal Service and commercial mailers, the proposed rate adjustment for 5-Digit Automation Letters—maintaining an 85.7 percent passthrough—not only fails to optimize the discount, it perpetuates a discount set at the maximum level of pricing and operational inefficiency under the current rules.

The current workshare rules do not require the 5-Digit Automation Letters passthrough to be increased because it is already within the 85 percent safe harbor, but this conclusion only underscores the need for further refinements to the rule. The Commission stated that it would assess over time whether the rules were operating as intended to determine whether changes are necessary. Multiple rate adjustments under the new rules confirm the rules must be strengthened to require the Postal Service to incrementally improve these discounts to full ECP rates. The Commission should take the first opportunity to revisit and strengthen the workshare rules to address aspects of the current rules that permit chronic inefficiency. Improvements should include reconsideration and tightening of the passthrough bands and a requirement that passthroughs set below 100 percent cannot remain stagnant but must be moved closer to full ECP rates.

² Notice at 8.

II. An Increased Price Differential Between Stamped Letters and Metered Letters Benefits Both Mailers and the Postal Service

The Postal Service proposes to increase the price of First-Class Mail Single-Piece Stamped Letters and Single-Piece Metered Letters price by 3 cents each; thus maintaining a three cent pricing differential between the two rate categories.³ A substantial price differential between Stamped and Metered Letters benefits small and medium-sized businesses, the Postal Service, and commercial mailers. For small and medium-sized businesses that use the mail, an increased price differential lowers the effective price of Metered Letters, thereby incentivizing these mailers to use the Postal Service's mail and package products to help grow their business. A meaningful price differential for Metered Letters appropriately reflects the fact that Metered Letters are a more secure and efficient postage payment channel. The Metered Letters rate also serves as the benchmark for First-Class-Mail Presort Letters. As such, a more significant price differential between Stamped and Metered letters helps lower the effective price for Presort Letters, benefitting commercial mailers and mitigating the impact of above-CPI average price increases. Accordingly, Pitney Bowes encourages the Postal Service to revisit and increase the price differential between Stamped and Metered Letters in its next rate adjustment.

III. Conclusion

Pitney Bowes appreciates the Commission's consideration of these comments.

Respectfully submitted:

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³ Notice at 7.